

**REPORT OF THE AUDIT OF THE  
FLEMING COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2001**



**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**FLEMING COUNTY SHERIFF**

**For The Year Ended**  
**December 31, 2001**

The Auditor of Public Accounts has completed the Fleming County Sheriff's audit for the year ended December 31, 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

Excess fees decreased by \$5,406 from the prior calendar year, resulting in excess fees of \$0 as of December 31, 2001. Revenues decreased by \$45,978 from the prior year and disbursements decreased by \$40,572.

**Report Comments:**

- Lacks Adequate Segregation Of Duties

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Larry Foxworthy, Fleming County Judge/Executive

Honorable Jerry Wagner, Fleming County Sheriff

Members of the Fleming County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Fleming County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Larry Foxworthy, Fleming County Judge/Executive  
Honorable Jerry Wagner, Fleming County Sheriff  
Members of the Fleming County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated April 1, 2003, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
April 1, 2003



FLEMING COUNTY  
JERRY WAGNER, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2001

Receipts

Federal Grants:

Domestic Violence	\$ 27,056	
Protecting Seniors Through Education	<u>9,999</u>	\$ 37,055

State:

Kentucky Law Enforcement Foundation Program Fund		18,062
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State Grants:

Body Armor		4,268
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State Fees For Services:

Finance and Administration Cabinet	\$ 6,558	
Cabinet For Human Resources	<u>63</u>	6,621

Circuit Court Clerk:

Sheriff Security Service	\$ 3,491	
Fines and Fees Collected	2,844	
Court Ordered Payments	<u>15,609</u>	21,944

Fiscal Court:

Deputies' Salaries	\$ 8,000	
Transportation Contract	16,000	
Grant Reimbursements	17,909	
Domestic Violence Grant Reimbursement	<u>9,535</u>	51,444

County Clerk - Delinquent Taxes		1,144
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Commission On Taxes Collected		115,173
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Fees Collected For Services:

Auto Inspections	\$ 6,099	
Accident and Police Reports	106	
Serving Papers	<u>14,820</u>	21,025

The accompanying notes are an integral part of this financial statement.

FLEMING COUNTY  
 JERRY WAGNER, SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 For The Year Ended December 31, 2001  
 (Continued)

Receipts (Continued)

Other:

Interest Earned	\$	800	
Carrying Concealed Deadly Weapon Permits		4,660	
Miscellaneous		7,163	
Sheriff's 10% Penalty on Taxes		13,220	\$ 25,843

Borrowed Money:

State Advancement	\$	100,000	
Bank Note		38,050	138,050

Total Receipts			\$ 440,629
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Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	144,331
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Employee Benefits-

Employer's Share Social Security	2,738
Employer's Share Hazardous Duty Retirement	9,060
Employer Paid Health Insurance	2,611

Contracted Services-

Advertising	440
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Materials and Supplies-

Office Materials and Supplies	5,436
Uniforms	5,668

Auto Expense-

Gasoline	12,623
Maintenance and Repairs	5,356

Other Charges-

Transporting Prisoners	16,633
Conventions and Travel	4,317

FLEMING COUNTY

The accompanying notes are an integral part of this financial statement.

JERRY WAGNER, SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 For The Year Ended December 31, 2001  
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Other Charges- (Continued)

Communications	\$	6,008
Postage		2,724
Dues		1,110
Jury Meals		79
Fiscal Court Fees		4,790
Carrying Concealed Deadly Weapon Permits		2,610
Miscellaneous		3,153
Capital Outlay-		
Office Equipment		1,411
Vehicles		8,963
Debt Service:		
State Advancement		100,000
Notes		38,050
Interest		<u>1,212</u>
Total Disbursements	\$	<u>379,323</u>
Net Receipts	\$	61,306
Less: Statutory Maximum		<u>(61,306)</u>
Excess Fees Due County for 2001	\$	<u><u>0</u></u>

The accompanying notes are an integral part of this financial statement.

FLEMING COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months of the year and the 6.41 for the last six months of the year. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.78 percent for the first six months of the year and 16.28 percent for the last six months of the year.

FLEMING COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2001  
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Lease-Purchase

The office of the County Sheriff is committed through the fiscal court, to a lease-purchase agreement with the Kentucky Association of Counties for a patrol car. The Sheriff makes variable monthly payments to the fiscal court until the lease-purchase is completed on June 30, 2003. The Office of the County Sheriff was in compliance with the terms of the agreement as of December 31, 2001.

Note 5. Federal Grants

A. The Sheriff was awarded a Domestic Violence grant in the amount of \$27,056 during 2001. Grant funds totaling \$27,056 were expended during the year, leaving a balance of \$0 at December 31, 2001.

B. The Sheriff was awarded a Crime Prevention grant during 2000 in the amount of \$9,999. Grant funds totaling \$9,999 were expended during 2001, leaving a balance of \$0 at December 31, 2001.

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COMMENT AND RECOMMENDATION





FLEMING COUNTY  
JERRY WAGNER, COUNTY SHERIFF  
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2001

STATE LAWS AND REGULATIONS:

None.

INTERNAL CONTROL - REPORTABLE CONDITION:

Lacks Adequate Segregation Of Duties

During our audit we noted the Sheriff's internal control structure lacked an adequate segregation of duties. There is a limited staff size, which prevents adequate division of responsibilities. In our judgment, this condition could adversely affect the Sheriff's ability to record, process, summarize, and report accurate financial information. We recommend the Sheriff obtain additional staff to divide the responsibilities or implement the following compensating controls that would help offset the lack of adequate segregation of duties:

- Cash periodically recounted and deposited by the Sheriff
- Periodic reconciliation of reports to source documents and receipts and disbursements ledgers by the Sheriff
- All disbursement checks are to be signed by two people and one must be the Sheriff
- All disbursement checks prepared by an employee are examined by the Sheriff for proper documentation
- The Sheriff mails disbursements
- The Sheriff or someone independent of the Sheriff's Office prepares the bank reconciliation

*County Sheriff's Response:*

*I understand segregation of duties, but with the size of my office staff, we are limited. I am very proud of my record keeping. There have been no audit findings in it for 13 years.*

INTERNAL CONTROL - MATERIAL WEAKNESSES:

None.

PRIOR YEAR:

None.

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

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Honorable Jerry Wagner, Fleming County Sheriff

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**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of receipts, disbursements, and excess fees of the Fleming County Sheriff for the year ended December 31, 2001, and have issued our report thereon dated April 1, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Fleming County Sheriff's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fleming County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comment and recommendation.

- Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
April 1, 2003

